

Senate Bill 319 (Burton) Chapter 306*Strike Force extension*

Effective January 1, 2000. Amends Section 106 of the Labor Code and amends Section 329 of the Unemployment Insurance Code.

Extends the Joint Enforcement Strike Force on the Underground Economy from the scheduled sunset date of January 1, 2000 to January 1, 2006.

Sponsor: California State Council of Laborers

Law Prior to Amendments:

Under current law, Section 329 of the Unemployment Insurance Code designates the Director of the Employment Development Division (EDD) as Chairperson of the Joint Enforcement Strike Force on the Underground Economy (Strike Force). The section also requires the Strike Force to include representatives of the EDD, Department of Consumer Affairs, the Department of Industrial Relations, and the Office of Criminal Justice Planning. Other agencies such as the Franchise Tax Board, the State Board of Equalization, and the Department of Justice are encouraged to participate. However, the statute will remain in effect only until January 1, 2000.

Under current law, the Strike Force is given the following duties:

- Facilitate and encourage the development and sharing of information by the participating agencies necessary to combat the underground economy.
- Improve the coordination of activities among the participating agencies.
- Develop methods to pool, focus, and target the enforcement resources of the participating agencies in order to deter tax evasion and maximize recoveries from blatant tax evaders and violators of cash-pay reporting laws.
- Reduce enforcement costs wherever possible by eliminating duplicative audits and investigations.

In General:

The Board of Equalization is a core member of the multiagency Strike Force. The Strike Force was created by Executive Order W-66-93 on October 26, 1993 and subsequently codified through Senate Bill 1490 (Ch. 1117) in 1994. The Strike Force has achieved significant enforcement results in all phases of its efforts. Joint efforts among the different agencies have proven to be very effective. Collective enforcement capability allows participating agencies to address multiple rather than single violations of law, such as the Employment Enforcement Task Force efforts as explained in the Revenue Estimate comments. The multiple enforcement efforts

with associated citations, penalties, and assessments has had a significant effect on underground economy businesses. The effect has been to drive these businesses into the legitimate economy or to put them out of business. This reduces the pressure of unlawful competition on honest businesses.

Comments:

1. **Purpose.** According to the author's office, this bill is simply intended to extend the life of the successful Strike Force for another six years.
2. **The Board has benefited from its participation in the Task Force.** As detailed in the Revenue Estimate, the Board was able to enhance its presence among a certain segment of bars, restaurants, and clubs which were seriously underreporting their sales tax liabilities. Without the presence of the Department of Alcoholic Beverage Control and local law enforcement agencies, Board auditors would not have been as successful in obtaining the purchase invoices and cash register tapes necessary to establish the large underreporting of taxes discovered in those stings.